

Bond Case Briefs

Municipal Finance Law Since 1971

House Passes Legislation to Permanently Prohibit Taxes on Internet Access.

On June 9, the full House passed H.R. 235, the Permanent Internet Tax Freedom Act (ITFA) – legislation that would permanently block state and local governments from collecting hundreds of millions of dollars in revenue. The legislation, sponsored by Bob Goodlatte (R-VA), would extend the 1998 Internet Tax Freedom Act’s moratorium on state and local governments’ ability to assess taxes on Internet access; that moratorium was set to end October 1, 2015. Most states (with the exception of Hawaii, North Dakota, South Dakota, New Mexico, Ohio, Texas, and Wisconsin) are currently affected by the temporary ban. H.R. 235 would extend the ban permanently and impose it on the seven grandfathered states.

The legislation is now headed to the Senate, which is hesitant to pass a permanent ITFA without addressing the Marketplace Fairness Act (which would allow state and local governments to enforce existing sales taxes on remote sellers), or possibly combining the two measures. A 2014 “compromise measure” continued the exemption for states that already collect taxes on Internet access. A Senate version of PITFA (S. 431) was introduced earlier this year.

Making the ITFA permanent would arbitrarily exempt a fast-growing sector of the economy from taxation and unfairly shift the burden of supporting essential local services onto other businesses and residents in a community. GFOA continues to oppose legislation that would make permanent the Internet Tax Freedom Act’s moratorium on state and local governments’ ability to tax Internet access, but remains optimistic that the Marketplace Fairness Act will remain a part of the compromise.

On June 8, the GFOA joined with the National League of Cities, U.S. Conference of Mayors, National Association of Counties, and National Association of Telecommunications Officers and Advisors to urge members of the House of Representatives to oppose H.R. 235. ([View the joint letter here.](#)) The GFOA will organize advocacy materials for our members to use in engaging their senators on ITFA and MFA, which will be available on our Federal Government Relations page in the coming weeks.

Wednesday, June 10, 2015